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ATTEMPTING TO REACH THE RURAL POOR?

The Small Farmer Development Agency in Varandur Village,[1] Coimbatore

JUDITH HEYER

The Small Farmer Development Agency (SFDA) is responsible for making subsidised credit available to 'small farmers', 'marginal farmers' and 'agricultural labourers' in rural areas to make them economically 'viable'. 'Small farmers' are defined as landholders with 2.5 to 5.0 acres of land and less than Rs.200/= per month non-agricultural income; 'marginal farmers' are defined as landholders with 0-2.5 acres of land and less than Rs.200/- per month non-agricultural income; and 'agricultural labourers' are defined as those with no land but with homes in the relevant area and more than 50 per cent of their income derived from agricultural labouring. The SFDA took over what was a separate programme for marginal farmers and agricultural labourers in 1974, and since then it has been responsible for programmes for all three categories of rural households. It was originally intended to be more than a subsidised credit agency, but it is now responsible for a programme that focusses very heavily on subsidised credit. It was also originally intended that SFDA programmes should be designed specifically for each district to meet local conditions, but what has emerged is a programme that is remarkably uniform in definition and implementation, difficult to distinguish from a programme designed at the national level.

There were numerous pilot projects in the early 1970s, and the programme really got going in the mid-1970s as part of the 5th Plan when it was extended to operate in 2-3 districts per State throughout India. Over the 5-year period 1975-80, districts in which the SFDA operated were each allocated Rs.2 crores with which they were expected to make 50,000 households 'viable' over the 5 years. In 1978-79 the Integrated Rural Development Programme (IRDP) was introduced to supplement the activities of the SFDA and other agencies. The IRDP is somewhat broader than the SFDA and includes programmes that cater for rural youths and artisans as

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1 Varandur is a fictitious name for a village with a real identity.

well as household heads. It also includes non-agricultural activities. The IRDP has not fully superseded the SFDA, however: the SFDA is to continue on an increased scale in districts in which there is no IRDP through the 6th Plan.

The SFDA operates through existing credit institutions. The idea is that it should have a catalytic role, providing only the subsidy element of loans extended by existing financial institutions. It is supposed to operate with minimal staffing, staff costs never exceeding 5 per cent of its total budget. 'Small farmers' are entitled to a 25 per cent subsidy up to a maximum of Rs.3,000/- per household before 1978 and Rs.5,000/- thereafter. This enables the household to get up to Rs. 12,000/= and later Rs.20,000/- of finance only 75 per cent of which has to be repaid. 'Marginal farmers' and 'agricultural labourers' are entitled to 33 per cent subsidies up to a total per household of Rs.3,000/- and then Rs.5,000/- again. This enables them to get a maximum of Rs. 9,000/- and later Rs.15,000/- of finance two thirds of which has to be repaid. On a financial institution approving an application, the SFDA pays the subsidy to the financial institution which is then able to record a reduced debit in the name of the SFDA loanee. There are small sums available to cover additional risks taken by the financial institutions in the case of SFDA loans also.

The intention is that 'small farmers', 'marginal farmers' and 'agricultural labourers' should be made viable by such loans. It was originally envisaged that this would be possible for 'small farmers',but not necessarily for 'marginal farmers' and 'agricultural labourers' whose problems might be more fundamental. Doubts raised on this score when the Marginal Farmers' and Agricultural Labourers' programme was separate from the small farmer programme seem to have got submerged since.

The sorts of minor investments supported and thought to be able to make these households viable are: minor irrigation works, agricultural equipment and implements, bullocks, milch animals, crop inputs, and in some areas soil conservation and sheep and goats. The programme includes only agricultural investments. It is left to the IRDP and other programmes to support non-agricultural activities.

Previous studies

There has been a large number of studies of the operations of the SFDA in different parts of the country. Many of these are summarised in T.K. Chakravarty, Development of Small Farmers and Marginal Farmers and Agricultural Labourers, National Institute of Rural Development, Hyderabad, 1980. There has also been a major report by the Programme Evaluation Organisation of the Planning Commission in Delhi, published in 1979. Raj Krishna summarised some of the findings of the Planning Commission study in "Small Farmers' Development", Economic and Political Weekly, 26 May 1979.

In the different studies, there has been a good deal of emphasis on the extent to which benefits go to those not strictly eligible under the terms of the SFDA programme. Experience varies widely from area to area on this. Much of the criticism centres on implementation problems, the implication being that these can be solved or at least much reduced. Some of the criticism is more fundamental, questioning the whole conception of the programme, in particular whether a subsidised credit programme could ever conceivably make the poorer households viable, specially if it is confined to agricultural investments.

In the study reported here, the intention was to see what impact the SFDA has had in a relatively prosperous area in 1980, and to take up some issues not emphasised in earlier studies.

Coimbatore district SFDA

Coimbatore District SFDA was the focus of the study reported here and the fieldwork was undertaken from July to September 1980. Coimbatore district is in the north west of Tamil Nadu, bordering on Kerala and Karnataka, and the Nilgiri and Annamalai hills. It had a population of over 4 million in 1980. It is a 'dry' district, with about 16 per cent of the arable land under irrigation, mainly from wells. The average rainfall is very low, 600-700 mm per annum, and as in many such low rainfall areas the rainfall is very variable. In 1971 the population density

in Coimbatore district was recorded as 272 persons per square kilometre (748 persons per square mile). By 1980 with a population growth rate of 2.0 per cent p.a. this would have risen to about 325 per square kilometre (842 per square mile).

The main dryland crops are groundnuts, sorghum and gingelly. These are often intercropped with pulses. Irrigated crops include cotton, sugarcane, turmeric, groundnuts and smaller areas of bananas, tobacco, coconuts, paddy, millet and other minor crops. Irrigated agriculture has become very intensive and agricultural scientists are now trying to encourage lower levels of input use in an area in which agricultural chemicals are being used too intensively. Livestock are prominent in what are very integrated farming systems. The rate of growth of agricultural output does not appear to have been very high recently, but this is an area in which agriculture has been relatively prosperous for some time. The value of agricultural output is estimated to have grown at 8.5 per cent per annum for 1958-59 to 1976-77.[2] However, much of this represents an increase in price rather than quantity. Cereal production increased somewhat following the introduction of high-yielding varieties in the mid-1960s. Sugar cane output has increased too, but the output of groundnuts and cotton, two of the traditionally prominent crops of the area has fallen.

Urban areas provide a good deal of employment within reach of the majority of rural households in the district although employment opportunities are still inadequate to meet the demand for them. Coimbatore now has a population of about ¾ million. It is known as "the Manchester of the South" because of its cotton mills established in the early decades of the 20th century, but there has been more recent industrial growth as well. Other urban centres in the district also provide substantial employment opportunities.

Labour is less plentiful in rural areas of Coimbatore than in some other parts of Tamil Nadu, but agricultural wages were still only

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2. B. Harriss, Farm Prices in Tamil Nadu, 1981.

Rs.2/- per day for women and Rs.5-6/- per day for men doing casual work in the villages I studied in 1980. The large differential between male and female wages is difficult to explain, except in social and political terms. The wage differentials are maintained even when male and female labourers appear to be doing idential jobs, although usually the jobs they do are also differentiated.

Coimbatore was considered to be as interesting as any other district in which to study the impact of the SFDA. Some of the original impetus behind the SFDA programme at the national level arose from the recognition that poorer groups were being excluded from participating in technical change in agriculture partly through lack of finance. Coimbatore is one of the areas in which there has been a good deal of technical change of the kind from which poorer people might be expected to be able to benefit if they had the finance. It is an area in which the SFDA programme might have been expected to work.

Coimbatore also looked interesting because it is an area in which a large farmer association, the Tamil Nadu Agriculturalists' Association (TNAA), has been very actively involved in various forms of protest for some time. TNAA members have been withholding electricity payments and the payment of various government taxes. They have also been withholding loan repayments from cooperatives, reducing the cooperatives' ability to function as effective channels for the provision of SFDA and other credit. This might have been construed as evidence of resistance to what was a sufficiently powerful SFDA programme to attract large farmer opposition. In fact, it turned out that the TNAA protest centres very specifically on terms of trade issues. The SFDA appears to be regarded by large farmers as a programme which is mildly beneficial to them as they are able to appropriate many of its benefits to themselves. Furthermore, the benefits that do reach the poorer farmers are not significant enough to represent any possible threat to the rich in the form of reduced wage wage labour or anything else. This became clear as the investigation proceeded.

A final reason for thinking that the Coimbatore SFDA programme would be interesting to study was that the SFDA officers in the Coimbatore district office believed that the SFDA was being successful in their district and they had statistics that appeared to support their view. The warmth with which they supported the research reported here was clearly related to their expectations that it would produce positive results. They were as surprised as anyone to hear that the impact of the programme in the villages studied was so far from that suggested by the project documents.[3] The study certainly made the programme look very different from what the Coimbatore district officers believed it to be. It was difficult to understand how the district officers could be so poorly informed until one reflected on their role, their responsibilities, and perhaps most important of all their relatively short stay in those particular postings. The frequency with which they move from one post to another makes it difficult for them to find out exactly what is going on before it is time for them to move again.

Avanashi and Varandur

I decided to do the study in Avanashi Block, 40-60 kilometres to the north east of Coimbatore, because it is far enough away from Coimbatore not to be unduly influenced by the proximity of a large urban area; it is not untypical agriculturally of large parts of Coimbatore district; and I had colleagues working in Avanashi whose research I might be able to complement.[4] The SFDA had been operating in Avanashi since 1975-76.

In 1971, Avanashi Block had a population of 102,000, according to the Census. In order to select a village or villages for study, I wanted to get a breakdown of SFDA loans extended each year since the inception of the SFDA in Avanashi in 1975-76 by village and by purpose for which they were given. This proved extremely difficult to obtain.

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3. SFDA, Project Report, 1974-79, SFDA Coimbatore; and SFDA Small Farmers towards Prosperity, Mid Term Appraisal, SFDA Coimbatore.

4. Andy Rutherford, University of East Anglia, was studying villages in Avanashi Block as part of a larger study by John Harriss, University of East Anglia, and Barbara Harriss, Overseas Development Institute. Rural-urban links were an aspect of the larger study in which Barbara Harriss was focussing on agricultural trade and John Harriss on small industrial activities in Coimbatore.

It took a great deal of negotiation and then clerical work to get the information and in the end I had to confine the exercise to milch animal, bullock and bullock cart loans as these were the loans on which I had decided to focus. They were prominent in the SFDA programme in Avanashi as they are in SFDA programmes elsewhere in India. Very few recipients of SFDA loans in Avanashi had not had loans for one or other of these purposes, where other loans were given they were usually in addition to loans for milch animals, bullocks or bullock carts. In the years 1975-76 to 1978-79, 20 per cent of the 2,700 loans but nearly 60 per cent of the Rs.523,000/- subsidy paid out was for milch animal, bullock and bullock carts in Avanashi Block.[5]

The distribution of milch animal, bullock and bullock cart loans among small farmers, marginal farmers and agricultural labourers in Avanashi Block is given in Table 1.

Table 1 : Number of SFDA Milch Animal, Bullock and Bullock cart loans, Avanashi Block 1975-76 to July 1980

Year	Small Farmers			Marginal Farmers			Agricultural labourers			Total			Over-all total
	M	B	C	M	B	C	M	B	C	M	B	C	
1975-76	0	1	13	0	1	17	0	0	0	0	2	30	32
1976-77	8	2	14	14	0	8	0	0	0	22	2	22	46
1977-78	14	19	1	31	11	4	0	0	0	45	30	5	80
1978-79	158	206	116	378	130	23	0	0	0	536	336	139	1011
1979-80	47	69	49	103	56	25	22	0	0	172	125	74	371
Apr-Jul 1980	19	6	7	26	21	13	3	3	0	48	30	20	98
Not dated	2	0	0	35	3	9	4	0	0	41	3	9	53
Total	248	303	200	587	222	99	29	3	0	864	528	299	1691

M : Milch Animal B : Bullock C : Bullock and cart
Bullock and cart loan counted as two separate loans (6 cases in all)

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5. Project Report, 1974-1979, SFDA Coimbatore

There was a considerable concentration of SFDA activity in 1978-79 and a distinct tailing off in 1979-80 and 1980-81. This was partly due to the fact that the cooperatives were originally intended to be the major financing agencies, but by 1979-80 and 1980-81 they had accumulated heavy outstanding debts so that their viability was seriously threatened. The TNAA programme of action referred to above was one of the factors responsible. SFDA officials turned to the nationalised banks to fill the gap left by the inability of cooperatives to provide SFDA loans, but it proved difficult to get the nationalised banks to finance enough SFDA loans to replace the cooperatives. As of mid-1980, nationalised banks were also reporting serious overdues and threatening to cut back their participation in small farmer financing, despite the fact that this was counted as part of 'priority sector' lending. This could lead to a further reduction in the SFDA lending programme.

The distribution of milch animal, bullock and bullock-cart loans among small farmers, marginal farmers and agricultural labourers is also interesting. It is not clear that there is a great deal of significance in the distinction between small farmers and marginal farmers as will be evident later in the paper. However, the fact that there are such small numbers of agricultural labourers in the programme is significant. This reflects difficulties in getting agricultural labourers financed by existing credit institutions with or without the SFDA subsidy. It also reflects the problem of limiting SFDA support to agricultural investments.

I chose a revenue village of 832 households, about 4000 people, not too near a major transport route, with a good deal of SFDA activity dating back to 1978-79, and with substantial numbers of marginal as well as small farmer beneficiaries. I would have liked to have chosen a village in which there were agricultural labourer beneficiaries as well, but there were very few such villages and those in which there were agricultural labourer beneficiaries appeared rather atypical from other points of view. Had there been more time, this would have been the obvious direction in which to extend the research.

The village I chose was Varandur revenue village. The village

is not on a main road. It acquired a bus service operating once a day, only in 1980. However, it is within easy cycling distance of major transport routes as are most villages in Avanashi. There are veterinary subcentres within 3-4 kilometres of most homes, a cooperative milk marketing society within 1-3 kilometres, a cooperative agricultural credit society within 1-3 kilometres, and there is a large weekly open-air market within 5-8 kilometres of most homes in the hamlets of the village in which I did the research. Varandur is similar to Avanashi and Coimbatore with respect to livestock and cropping systems, but it has a higher than average proportion of well-fed land. Of the total cultivated area, 36 per cent was well-fed in 1979-80 when the water-table was high.

Varandur revenue village comprises 3 hamlets : Periavarandur, Chinnavarandur and Varandurpudur. Together with its fields and wasteland, the village covers 1331 hectares (540 acres) or 13.31 square kilometres (less than 1 square mile). The number of households in each hamlet in 1979-80 was given by the village munsiff as: Periavarandur 230, Chinnavarandur 250, Varandurpudur 340 making a total of 820. The preliminary 1980 Census figure of households in Varandur in August 1980 was 832. It was not possible to get this broken down by hamlet at the time of the study.

I decided, rather arbitrarily, to concentrate on two of the three hamlets, Chinnavarandur and Varandurpudur. These differed in several important and obvious respects: Chinnavarandur had the village accountant (karnam) and a large proportion of large farmer office holders: cooperative society directors and committee members, ex-panchayat union officers, etc. Chinnavarandur is predominantly gounder and naidu, farmers rather than traders, and the proportion of landless households appears to be lower than in Varandurpudur. The munsiff's figures of taxed landholders gave a ratio of 125 taxed landholders to 250 households in Chinnavarandur, but 128 taxed landholders to 340 households in Varandurpudur. One has to remember that there may be more than one landholder per household so this does not give the proportion of landless households, but it suggests a higher proportion in Varandurpudur than Chinnavarandur. Varandurpudur is the chettiar village with a relatively large number of traders compared with Chinnavarandur.

There were 88 SFDA beneficiaries in Varandur by July 1980: 34 in Periavarandur, 24 in Chinnavarandur and 30 in Varandurpudur. Of these, 29 were small farmer and 59 marginal farmer beneficiaries. There were no agricultural labourer beneficiaries. There were 58 households that had been identified as eligible but were not benefiting from the SFDA programme. I decided to interview all beneficiaries in Chinnavarandur and Varandurpudur and I reached 51 of the 54 listed. The other three included one that had died whose family had then moved away; one that I did interview but did not include in the Varandur samples as the household had moved to a neighbouring village; and one that I could not find as he was always absent on trade or business and his wife would not be interviewed in his absence. Furthermore, two of the beneficiaries belonged to one household, so my sample included 51 beneficiaries but only 50 households. I interviewed some of those 'identified' but not benefiting. Of the 22 'identified' marginal farmers in Chinnavarandur and Varandurpudur on the SFDA list, I interviewed 12. The remaining 10 included 4 who had left the area, 2 who I could not trace, 1 who had been listed twice, 1 who was the husband of a marginal farmer beneficiary I had interviewed, 1 who had sold his land to the temple (and I did not interview him although I knew him), and one who I could not get at home before my time ran out. I did not work systematically through the list of 'identified' small farmers, although I did find that it was difficult to trace many of these. In the end I only interviewed one. I interviewed people in a few other households that seemed to be eligible for SFDA loans but had not had them. That gave me 13 interviews with 'identified' marginal and small farmers that had not benefited, and 3 other interviews with households that should have qualified but had not been identified nor benefited. I also interviewed members of 7 harijan households one of which was on the identified but not benefiting marginal farmer list.

I worked with graduate student interpreters and we did all the interviews together. We interviewed heads of households, wives of heads of households and sometimes sons of heads of households, in many cases going back frommore than one interview. It did not seem to matter whom we interviewed, except on one or two occasions, and we seldom came across any suggestion that different members of the household were differently

informed of the household's activities. It was striking how well informed the women were about all the household activities about which we were asking questions. People were extremely generous with their time, it not being a very busy season, and most were very open in answering questions. There were difficulties in tracing people, particularly those not benefiting from SFDA loans. There were also some difficulties in getting people at home, but nearly all of these were solved eventually by calling repeatedly at the houses concerned.

The main results of the study are presented below. In next section, the findings on eligibility are presented and problems with the criteria are discussed. In the following section, the value of SFDA-supported investments is examined. In the final section SFDA loans are placed in the context of the wholeset of household financial involvements of which they form a part.

I. Criteria and Eligibility

(a) Eligible as a percentage of the total population: size of holding criterion

There is very little tenancy in Coimbatore district and Avanashi Block. According to the 1970-71 Census, 95 per cent of the holdings in Coimbatore district and 98 per cent of the holdings in Avanashi Block were entirely owner-operated in 1970-71. There were 6 households in our SFDA beneficiary samples of 50 in Varandur that leased in land to supplement their own holdings. All of them operated more than 5 acres of land, and three owned more than 5 acres as well. It was the better-off that leased in land which was considered difficult to get.

The size distribution of holdings given in the 1970-71 Census in Coimbatore and Avanashi is shown in Table 2.

Table 2 : 1970-71 Size distribution of holdings in Coimbatore and Avanashi : Percentage of Holdings

	Coimbatore district	Avanashi block
'Large farmers' over 5 acres	14	10
'Small farmers' 2.51 - 5.0 acres	21	23
'Marginal farmers' 0 - 2.5 acres	65	67
All holdings	100	100

There are well known problems with these figures. National Sample Survey figures are very different from Agricultural Census figures. Holdings do not correspond with households; registered holdings do not correspond with actual holdings; and registered holdings do not correspond with recorded holdings in the Census. Nevertheless, these figures suggest that there is only a very small proportion of landholdings over 5 acres in Avanashi and in Coimbatore. Given that a household may own several holdings, the proportion of households with holdings above 5 acres is likely to be higher than that suggested by these figures.

Table 3 : Distribution of Holdings operated by SFDA beneficiary households Varandur 1980 (no. of households)

	Marginal farmers	Small farmers	Total
Over 5 acres	8	5	13
2.51 - 5.0 acres	8	16	24
0 - 2.5 acres	13	0	13
Total Sample	29	21	50

Marginal Farmer: Classified as marginal farmers for the purpose of SFDA benefits
Small Farmer : Classified as small farmers for the purpose of SFDA benefits

Table 3 shows the distribution of holdings operated by SFDA beneficiary households in Varandur in 1980. Of the 50 beneficiary households, 13 did not qualify for SFDA benefits because the household operated more than 5 acres of land. These 13 were in the relatively small group of households with more than 5 acres that make up roughly 10-20 per cent of the total population. If ownership rather than operation were the criterion, the number not qualified would be reduced to 10. A further 8 households were mis-classified (10 if ownership rather than operation is the criterion): they should have been classified as small farmers but they were classified as marginal farmers and therefore obtained a higher rate of subsidy than that to which they were really entitled. There does not appear to be a great deal of difference between 'small farmers' and 'marginal farmers' as far as proportion ineligible on landholding criteria is concerned, but as one would expect, no 'small

farmers' have less than 2.5 acres per household. Marginal farmers would hardly be expected to be mis-classified as small farmers for the purposes of this programme.

(b) Eligible as Percentage of total population: non-agricultural income criterion

SFDA beneficiaries are not supposed to have more than Rs.200/- per month from non-agricultural sources. This is a very small non-agricultural income. A fully employed male agricultural labourer can get well over Rs.100/- per month, so households with two or more adult male labourers working outside agriculture at agricultural wage rates are supposed to be excluded from the programme. In Varandur, traders, businessmen, mill-workers, the astrologer, local builders, woodcutters, and weavers all earned more than Rs.200/- per month outside agriculture in 1980. Most of these earned considerably more, but the weavers and the woodcutters earning only a little more were hardly better off than agricultural labourers.

The occupational distribution of SFDA beneficiary heads of household is shown in Table 4.

Table 4: Occupational Distribution of SFDA Beneficiary Heads of Household, Varandur 1980 (no. of households)

	Marginal farmers	Small farmers	Total
Farmer employing permanent labour	2	6	8
Farmer, no household member doing agricultural wage labour, no permanent labour employed	6	5	11
Trader, shopkeeper	5	3	8
Millworker (commuting)	1	1	2
Astrologer	0	1	1
Builder	2	0	2
Weaver	1	0	1
Woodcutter	0	1	1
Barber	1	0	1
Agricultural labourer with bullock and cart	4	1	5
Agricultural labourer without bullock and cart	7	3	10
Total sample	29	21	50

Table 5: Distribution of non-agricultural income of SFDA Beneficiary Households, Varandur 1980 (no. of households)

Non-agricultural income :	Marginal farmers	Small farmers	Total
Over Rs.200/- per month	8	6	14
Rs.200/- per month and under	21	15	36
Total sample	29	21	50

All of the traders, shopkeepers, millworkers, the astrologer, one of the builders (the other was retired), and the weaver households were earning over Rs.200/- per month outside agriculture. In cases like the weavers' this was as much a sign of poverty as the opposite: the weavers worked long hours for earnings roughly camparable with those of agricultural labourers and it was because there were large numbers of adult males that could not afford to marry in weaver households that their (non-agricultural) incomes came above the Rs.200/- limit. Apart from those listed above, as non-farmers, there was one farmer in the small farmer sample earning more than Rs.200/- per month from outside business activities. Thus, eight of the 'marginal farmers' and six of the 'small farmers' were not qualified for SFDA benefits because they earned more than Rs.200/- per month non-agricultural income.

(c) Eligible as percentage of total population : landholding and non-agricultural income criteria combined

In Table 6, non-agricultural income and landholding criteria are combined.

Table 6: Distribution of Landholdings and Non-Agricultural Income of SFDA Beneficiary Households, Varandur 1980 (no. of households)

	Non-Agricultural Income				
Acres	less than Rs.200/- p.m.		More than Rs.200/- p.m.		Total
	Marginal farmers	Small farmers	Marginal farmers	Small farmers	
1	2	3	4	5	6

(1)	(2)	(3)	(4)	(5)	(6)
0 - 2.5	10	0	3	0	13
2.51 - 5.0	5	12	3	4	24
5.01 +	6	3	2	2	13
Total	21	15	8	6	50

Using both the formal criteria of the SFDA, it turns out that 23 of the beneficiaries were not eligible (and 5 were mis-classified). Thus out of 50 beneficiaries, only 27 were eligible on stated formal criteria.

(d) Problems with the land criteria

(i) Evasion

There are well known ways of evading landholding criteria. The most common in the Varandur SFDA case were registering part of the landholding in the name of the wife of the head of the household (8 cases) and registering part of the holding in the name of a son (4 cases). This kind of evasion was quite open: thus I was told on a number of occasions that a particular part of the holding had recently been registered in the name of another family member 'to qualify for an SFDA loan'. There was an element of self-congratulation in some of these statements. I was reminded of income tax evasion: evasion is something one talks about, often with some pride in many societies. It is only illegal means of (tax) avoidance that are frowned upon and kept quiet.

There were other ways in which landholding criteria were evaded: when land was held in different villages the village accountant might not always disclose this; the village accountant had a certain amount of leeway in the 'karnam's certificate' through which he could certify that a holding still registered as one was in fact operated as two or more separate holdings. One of the cases in which the landholding of a beneficiary was above the stated limit was a case in which land had been

purchased after the granting of SFDA loan.

There was some ambiguity about whether land ownership or operation was the relevant criterion. There was also some ambiguity in the early years of the SFDA over whether the landholding criterion should be applied to individuals or households. It was not until mid-1977, after much of the initial identification of eligible households had already taken place in Varandur, that a circular was sent out from Delhi stating unambiguously that the holding size should be judged on a household and not on an individual basis. Furthermore, there are real problems in defining households. Officially, members sharing a single kitchen, are defined as part of one household. When there is a separate kitchen, a separate household is considered to exist. But it is relatively easy to make a separate kitchen that is not used or not used very often, and it did indeed appear to be the case in several households interviewed that there was ambiguity about whether or not a separate kitchen was maintained. An alternative definition that appeared to make more sense in Varandur was according to the operation of the land. Where sons were still working the land jointly with their fathers, whether they had separate kitchen or not, it seemed sensible to consider the household as one. In some cases where the land was operated jointly, the land was stated in a Karnam's certificate to be held separately, and in some cases it was even registered separately but operated jointly.

In most cases it was clear where the boundaries of the household should be drawn. The cases that were difficult were the cases where

(1) There were dependent married sons (1 case)

(2) There were dependent fathers (4 cases)

(3) Father and son or sons worked jointly although some of the sons were married and had separate kitchens (1 case)

(4) Parents were dependent on absent sons with households established elsewhere (2 cases)

In the case of households of types (1)-(3) it seemed sensible to treat each as one household. In the two households in the sample in which absent sons were supporting parents it was more difficult. In both cases it was clear that substantial support was forthcoming from the absent son or sons. It is debatable whether this support should be

counted as part of the income of these households for the purposes of the SFDA. For the purposes of this analysis however I have decided to treat them as separate from their absent sons' households. Had I not decided to treat them thus, there would be 2 further households ineligible on income criteria.

Difficulties over defining the boundaries of the household raise serious questions about criteria that are uniform for all households regardless of size or composition. What may be a relatively large holding for a nuclear household consisting of a married couple and their children may be quite small for an extended household consisting of a married couple xxxxxxxx with several adult children still at home. The age of marriage in Varandur is now quite high, it being common for sons in their twenties to be unmarried, and not uncommon for daughters to remain unmarried until they are in their twenties. Poorer families may find it hard to arrange marriages for their sons and their daughters, and they may have larger numbers of surviving children than rich families in Varandur. Moreover, it is not uncommon to find a household comprising parents and a married son and his family, together with other adult children, still operating very much as a joint household. In these circumstances, it may be quite easy to get a karnam's certificate to say that the households are really separate, and this may not be contrary to the spirit of SFDA. But once one starts bending the rules it becomes more difficult to maintain any of them at all strictly.

The distribution of numbers of adults (over 15 years) per household shown in Table 7 gives some indication of the range of household size involved. The range may not look very great in absolute terms, but when one considers that whether there are even 2, 3 or 4 adults makes a big difference in deciding what constitutes adequate land or non-agricultural income, it becomes clear that even the range evident from this table raises important questions for the definition of criteria on a household basis as in the SFDA.

Table 7: Distribution of Adults per Household, SFDA Beneficiaries, Varandur, 1980 (no. of households)

Number of Adults (1)	Marginal farmers (2)	Small farmers (3)	Total (4)

(1)	(2)	(3)	(4)
8	1	0	1
7	0	1	1
6	5	0	5
5	5	1	6
4	4	8	12
3	6	3	9
2	6	6	12
1	2	1	3
Unknown	0	1	1
Total	29	21	50

Varandur SFDA beneficiaries have relatively small numbers of children per household, as is evident from Table 8, from which it can be seen that 90 per cent of the households have only 0, 1 or 2 children under 15 years.

Table 8 : Distribution of Children per Household, SFDA Beneficiaries, Varandur 1980 (no. of households)

Per Household Number of Children	Marginal farmers	Small farmers	Total
4	1	1	2
3	2	0	2
2	5	7	12
1	6	2	8
0	15	10	25
Unknown	0	1	1
Total	29	21	50

Some of the demographic averages are given in Table 9.

Table 9: Demographic Characteristics of 1980 Varandur SFDA Beneficiary Samples, (Averages per household)

	Marginal farmers	Small farmers	Total
Total no. of persons	4.70	4.30	4.56
No of adults	3.83	3.30	3.61
No. of male adults	2.00	1.75	1.90
No. of female adults	1.79	1.65	1.73
Male/female adults	1.12	1.07	1.09
No. of children less than 15 years	0.90	1.00	0.94
Children/adults	0.23	0.30	0.26

Marginal farmer households have slightly more adults and children on average, and also more male relative to female adults than small farmer households.

Distribution of land is given on a per capita basis in Table 10 from which the discrepancy between per capita and per household land holding criteria can be gauged.

Table 10. Distribution of Land per Person, SFDA Beneficiary Households, Varandur 1980 (no. of households)

Acres per person	Marginal farmers	Small farmers	Total	No. with <5 ac/HH
0 - 0.5	10	1	11	11
0.51 - 1.0	7	9	16	15
1.01 - 1.5	6	5	11	5
1.51 - 2.0	4	1	5	3
2.01 - 3.0	1	2	3	0
3.01 - 4.0	1	2	3	1
4.01 & over	0	0	0	0
Unknown	0	1	1	-
Total	29	21	50	35

There are other problems with the landholding criterion. There is the familiar problem of a nationally defined criterion not being appropriate to different local conditions. Despite all the statements to the effect that each district SFDA was encouraged to develop its own criteria suited to local conditions, there seems to have emerged a high degree of uniformity across India.[5a] In Coimbatore, there is little justification for choosing a criterion that is as generous as far as landholding is concerned. Whether 2.5 or 5.0 acres represents a relatively large or a relatively small holding depends on the quality of the land and also on the infrastructure and general economic conditions in the area in which it is situatod. A criterion that makes sense in backward districts in Tamil Nadu[6] does make sense in Coimbatore or Varandur where 5.0 and even 2.5 acres can generate quite a substantial annual income, and where to have more than 5.0 acres is unusual.

What appeared to make the most striking difference in Varandur itself was whether the land was irrigated or not. Provision is made within the SFDA for differential treatment of irrigated land, but the only land that is recognised as irrigated is 'Class I irrigated' land which has a special meaning deriving from land revenue usage. 'Class I irrigated' land is land that is irrigated from a Government canal. All other land irrigated from private sources counts as dry land for the purposes of revenue assessments, and this definition has also been accepted for SFDA eligibility. There is no canal irrigated land in Varandur, and relatively little in Coimbatore district as a whole. However land that is irrigated from private wells in Varandur is at least twice as productive as dry land. It fetches about twice the price of dry land, and depending how intensively it is farmed it produces incomes 2 - 4 times as high as dry land.[7] Likewise there is no allowance for land of variable quality in other respects, despite the precedents for distinguishing for the purposes of implementing land ceiling legislation.

5a. See T.K. Chakravarty, op.cit.

6. As the MIDS study suggests. Madras Institute of Development Studies, Structure and Intervention : An evaluation of DPAP, IRDP and related programmes in Ramanathapuram and Dharmapuri Districts, Madras, August 1980.

7. V. Rajagopalan, P.K. Aiyasamy, R. Srinivasan and V. Subramanian, Studies on Cost of Production of Major Crops in Tamil Nadu, Department of Agricultural Economics, Tamil Nadu Agricultural University, and net return figures provided in the Varandur 1980 study.

The Varandur SFDA beneficiary distribution of irrigated and and non-irrigated land is shown in Table 11.

Table 11: Distribution of Irrigated and Non-irrigated Landholdings of SFDA Beneficiaries, Varandur 1980

	Marginal farmers	Samll Farmers	Total
Irrigated only			
Acres/households	2.9	4.0	3.3
No. of Households	7	5	12
Irrigated and dry			
Irrigated acres/household	2.7	4.1	3.2
Dry acres/household	2.7	7.8	4.5
No. of households	13	7	20
Dry only			
Acres/household	2.8	4.5	3.6
No. of households	9	9	18
Totals			
Irrigated acres/household	1.9	2.3	2.1
Dry acres/household	2.1	3.3	3.1
Total acres/household	4.0	5.6	5.2
Total no. of households	29	21	50

In the sample 40 per cent of the cultivated land is well-fed. This compares with 36 per cent for the village as a whole according to the Karnam's figures Table 11 also shows that 'marginal' farmers have less land of both kinds on average than 'small'.

If irrigated land were counted as the equivalent of twice as much dry land, and the SFDA landholding criterion was defined in terms of dry land equivalents, the eligibility of SFDA beneficiaries would change

as shown in Table 12 (to be compared with Table 3) and Table 13 (to be compared with Table 6).

Table 12: Distribution of Holdings of SFDA Beneficiary Households, Varandur 1980 Adjusted Acreages (No. of households)

Adjusted Acres	Marginal farmers	Small farmers	Total
Over 5 acres	12	11	23
2.51-5.0 acres	8	10	18
0 - 2.5 acres	9	0	9
Total sample	29	21	50

Table 13: Distribution of Adjusted Acres of Land and Non-Agricultural Income of SFDA Beneficiary Households, Varandur 1980 (no. of households) NON-AGRICULTURAL INCOME

Acres Adjusted	Less than Rs.200 per month		More than Rs.200 per month		Total
	Marginal farmers	Small farmers	Marginal farmers	Small farmers	
0-2.5	7	0	2	0	9
2.51-5.0	4	6	4	4	18
5.01 +	10	9	2	2	23
Total	21	15	8	6	50

If one used the adjusted acreage criterion, 23/50 would not qualify on land alone, as opposed to 13/50 on the unadjusted acreage. On both landholding and non-agricultural income criteria the figure of those not qualifying would rise from 23/50 to 33/50, with adjusted acreage criteria.

(e) Problems with the non-agricultural income criterion

The non-agricultural income criterion has remained at the same level since its introduction into SFDA criteria in 1973. With the relatively high levels of inflation that have been experienced in the 1970s, this is now a much less stringent criterion than it was in 1973. There are also problems over the definition of the household again. If a son or sons are earning non-agricultural income and the household operates in some sense as a joint household, it is quite difficult to decide whether to count their income in total household income or not. As already mentioned, this problem arose most seriously with absentee sons in this study. Absentee sons were contributing substantially to the incomes of two households in the SFDA beneficiary samples, and it was difficult to see the justification for including these households under SFDA. There were also problems with households that are quite poor but joint, in particular the weaver household in the sample. In the weaver household, individuals were earning incomes roughly similar to agricultural wages, but there were large numbers of adults in the household, so the total household income was well above Rs.200/- per month. As mentioned earlier, it seemed as much a symptom of poverty that the household was large as vice versa in this case.

The trouble with a criterion that is set at an unrealistically low level is that it tends not to be taken seriously. If households with outside income over Rs.200/= per month are really quite poor one might with a good conscience bend the rules to include them. But if this is done for the poor, this makes it more difficult to resist pressures also to overlook the non-agricultural income of rich households in the villages. It is important that the rules be rigidly applied if they are applied to all. There are far too many pressures militating against strict adherence (in favour of the rich) as it is.

(f) Eligibility and Poverty

Various attempts were made in this study to devise crude independent estimates of wealth and income by which to judge SFDA and other possible criteria of poverty. What seemed to work best in the end was a classification of households by subjective estimates of rela-

tive income levels in which diet, clothing and simple consumer durables all played a part. A very rough estimate of the income level below which those classified as poor fell is Rs.4,000/- p.a. per household. This is no more than a very rough estimate and it would vary a bit given the very different sizes of household involved. Using this classification, it was possible to identify two groups of households, rich and poor, comprising the following occupational groups :

(1) Poor Households : Agricultural labourers not hiring out bullocks and carts; weavers; barbers; and woodcutters.

(2) Rich Households: farmers with no occupation other than farming; traders; shopkeepers; the astrologer; millworkers; and agricultural labourers hiring out bullocks and carts.

In Table 14, the numbers of SFDA beneficiary households in these 2 groups are shown.

Table 14 : Rich and Poor Households, SFDA Beneficiaries, Varandur 1980

(no. of households)

	Marginal farmers	Small farmers	Total
(1) Poor	9	5	14
(2) Rich	20	16	36
(i) Rich on accouot of landholding	8	10	18
(ii) Rich on account of non-agricultural income	7	2	9
(iii) Rich on account of both land & non-agricultural income	5	4	9
Total Rich and Poor	29	21	50

This division between rich and poor is very different from the division between eligible and ineligible using the SFDA criteria.

This is shown in Table 15, in which riches and poverty are cross-tabulated first with official SFDA and then with some modifications of these criteria. None of these criteria is very closely correlated with poverty or riches as can be seen from these cross-tabulations. Criterion (8) which includes adjusted acreage and non-agricultural income less than Rs.200 per month seems to work best of those tried. However the cross-tabulations suggest that it is difficult to find a criterion based on size of land-holding and non-agricultural income that follows at all closely the rough criteria used here as indicators of riches and poverty. More work needs to be done on indicators of poverty before any usable alternatives can be suggested, however.

Table 15 : Association of Poverty with Eligibility Criteria, SFDA Beneficiary Households, Varandur 1980 (no. of households)

	Margianl farmers		Small farmers		Total	
	Rich	Poor	Rich	Poor	Rich	Poor
Totals	20	9	16	5	36	14
Official SFDA Criteria						
(1) Landholding 5 ac. or less	13	8	12	4	25	12
(2) Landholding 2.5 ac. or less	6	7	0	0	6	7
(3) Non-agric. income Rs.200/-p.m.	13	8	11	4	24	12
(4) (1) + (3)	8	7	9	3	17	10
(5) (2) + (3)	4	6	0	0	4	0
Adjusted SFDA Criteria						
(6) Adjusted landholding 5 ac. or less	9	8	6	4	15	12
(7) Adjusted landholding 2.5 ac. or less	3	6	0	0	3	6
(8) (6) + (3)	4	7	3	3	7	10
(9) (7) + (3)	2	5	0	0	2	5
Per capita Criteria						
(10) Per capita landholding 1.0 ac. or less	11	6	7	3	18	9
(11) Per capita landholding 0.5 ac. or less	4	6	1	0	5	6
(12) (10) + (3)	7	5	6	2	13	7
(13) (11)+ (3)	3	5	1	0	4	5

(g) Implicit Criteria: Acceptability to Financial Institutions

To benefit from the SFDA programme, not only do households have to meet the formal criteria discussed above, but they also have to be acceptable to cooperatives or nationalised banks which have their own ways of deciding which households constitute reasonable credit risks. perhaps the most important contradiction in the programme lies in the incompatability between SFDA criteria and criteria acceptable to the financing institutions. To be genuinely 'unviable' in the SFDA sense and to be acceptable to a financial institution may be an impossibility. It is certainly a problem, making it difficult for SFDA officials to meet their targets, and providing strong incentives for SFDA officials to collude with farmers and others in evading the formal criteria. SFDA officials at the village and Block level, if not at the district level, are acutely conscious of the difficulty of getting genuine small and marginal farmers accepted by the banks and cooperative credit institutions. Quite apart from the local pressures, the officials are under pressure from their superiors to meet physical targets specified in terms of numbers of loans and amounts of subsidy paid out. They may find it impossible to meet their targets if they look for genuinely poor households. It is hard work preparing and forwarding applications and if the applications are not likely to succeed this may not seem worthwhile. There is no check on whether beneficiaries meet official SFDA criteria, still less on how poor or unviable they are, so it is hardly surprising to find a high proportion of relatively well-off households among the beneficiaries in these circumstances. What is a little more surprising is the assertion by SFDA demonstration assistants responsible for work at the village level that they are not even aware that the programme is intended for the poor and 'unviable'. In the course of quite lengthy discussions the SFDA demonstration assistants maintained that they did not know that the programme was specially intended for the poor. Their retort when pressed was "Well, why did the government not then specify the qualifications differently? If they really wanted it to reach the poor, and the poor exclusively, these were the wrong criteria to use."

Cooperative and bank officials' notions of credit-worth are

not very much changed by the offer of a subsidy and SFDA support, even though this includes some coverage for bad debts in the form of a 'risk fund' grant. The 'risk fund' grant given is four per cent of the excess quantity of loan issued to small and marginal farmers over and above that given in the previous year by village cooperative societies, and two per cent for the Central Cooperative Bank. Similar levels of payment are made to nationalised banks. The trouble is, of course, that the cooperatives and banks are probably right in regarding genuinely poor applicants for SFDA loans as poor credit risks, and these 'risk fund' grants are insufficient to cover for this.

Eleven of the marginal farmers and one of the small farmers that had been identified but not benefited by the SFDA were interviewed as part of the study. This represented a high proportion of the marginal farmers but not, of course, of the small farmers, listed as eligible but not benefiting. In addition, three landholding harijans who had been encouraged to apply were also interviewed. Only five harijan households in the two hamlets studied owned any land. An SFDA officer in Avanashi Block maintained that no harijans were included in the programme at all because it was not intended for them. However, it emerged that in Varandur three harijan households had been encouraged by the previous SFDA field officer and by the SFDA demonstration assistant to apply for SFDA loans. One said he was not interested in a SFDA loan; another had applied and was waiting to know the outcome of his application; and the third had had his application turned down by the local Cooperative Society.

Of the 12 non-harijan households interviewed, two were not interested in SFDA loans because they had ample alternative sources of finance; one thought he would not get an SFDA loan if he did apply; one did not think it worth the cost of applying; two were afraid of repayments; two were seriously thinking of applying; and four had applied and been turned down.

The village cooperative society does not consider anyone with less than one acre credit-worthy. Only one of the beneficiaries in the study had less than 1 acre of land and that household had 0.5 acres of thottam land. They had had a cooperative society loan, exceptionally.

'Family problems' and 'bad records' were also given as reasons for turning applicants down. Some of the applicants are turned down because they cannot find two people already members of the cooperative to act as guarantors. The nationalised banks appear to operate very similarly, turning down applicants that look weak from a conventional banking point of view.

What is ironic is that outstanding loans which have often been said to be an impediment do <u>not</u> appear to be making it difficult for people to get SFDA benefits. Many of the poorer households eligible for SFDA loans do not have overdues with formal credit institutions because they have not previously had formal credit. Those with heavy overdues are just as likely to be the large farmers boycotting the cooperatives as part of the TNAA protest, or simply not paying because there is no incentive to do so in a situation in which it is clear that cooperatives do not provide the most attractive loans. Nationalised banks are now providing plenty of loans and they are generally more attractive than cooperative loans. If large farmers do want SFDA loans, they can usually arrange to pay off outstanding debts relatively easily, or even to get a 'no overdues' certificate without actually making a repayment. The question of how the SFDA programme fits into the existing credit and financial situation is discussed further below. Before taking this up, however, the viability of the SFDA-financed investments is examined.

II. <u>Viability of SFDA Investments</u>

Subsidised credit provided through the SFDA is available only for a very specific set of agricultural investments. The original idea was that the SFDA would liaise with other government agencies to ensure that adequate support was given to make these investments viable for poorer households. Thus, the SFDA was supposed to ensure that adequate arrangements were made for marketing, veterinary services and provision of concentrates in the case of milch animal investments, and similarly for other investments that it supported. In practice, the SFDA does not seem to have taken this part of its role very seriously, at least

In the Varandur area. This considerably weakens the argument for trying SFDA supported credit to specific investments. The question of whether credit should or should not be tied to particular investments has been much debated. It is arguable that it would be better to leave individual households free to use the credit as they choose, and that if it is to be tied, that it should be tied to as broad a range of investments as possible, non-agricultural as well as agricultural. Given the fungibility of credit, it is not possible to tie it too directly to any one investment, and indeed there were a number of households in the Varandur study that had accepted credit for an investment that had subsequently been disposed of so that the credit or just the subsidy element of the credit become available for a nother use. There is also the problem of saturating the market for the services provided by a limited range of investments for which special credit facilities are available. This is certainly a problem in Varandur where bullocks and carts are concerned. Alternatively, there may be price effects on the supply side, the prices of such things as bullocks and milch animals being raised substantially by a subsidised credit programme as found for example in the MIDS study of the SFDA.[8] Some of these effects can be overcome by the inclusion of a sufficiently wide range of eligible investments, but it is not often possible to widen the range sufficiently.

The arguments for tied credit are of course strong. It is argued that by tying credit one can increase the chances of the credit being used to finance investment rather than consumption; that tied credit at least brings forward applicants who are thinking of and can put forward an investment programme; that it also puts the onus on government services to support investments that might be able to generate income streams in the future as well as the present; and so on.

The SFDA programme in Varandur certainly suffers from some of the problems associated with tied credit as already indicated and as will be further elaborated later in the paper. Few would advocate totally united credit. To tie credit much more loosely to a good general investment plan might be worth considering, but this would undoubtedly be more difficult to administer, and it is not clear that more poor households could apply for the credit if it were available for any investment plan

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8. Madras Institute of Development Studies, Structure and Intervention: An Evaluation of DPAP, IRDP and related programmes in Ramanathapuram and Dharmapuri Districts of Tamil Nadu, August 1980.

that looked capable of generating additional income after the loan repayments had been made. Given that SFDA support is restricted to a particular set of agricultural investments, the question of whether these are sensible investments that might make small farmers viable, and whether they are the best investments with which to be concerned are worth examining as is done below.

(a) Patterns of investment and accumulation in Varandur

There are three large-scale, long-term agricultural investment opportunities in Varandur, none of them eligible for SFDA finance :

(i) Purchase of well-fed (thottam) land at around Rs.5,000/- per acre in 1980;

(ii) Purchase of dry land at around Rs.2,500/- per acre in 1980

(iii) Digging a well at around Rs.30,000/- in 1980 for 4-5 acre units.

It is everyone's ambition to have thottam land, but it is difficult to find thottam land to buy, and difficult to find any that does not involve a shared well. A shared well is a liability. Disputes about shares of water are prevalent and time-consuming. They are aggravated by frequent and erratic interruptions in the supply of electric current. Thus it is often considered preferable to buy dry land and then dig one's own well despite the considerably higher cost of doing this. Of the SFDA beneficiaries, six had bought thottam land at some stage, five of these a long time ago at the end of the 1950s, only one more recently in 1979.

Judging from the experience of the households in the SFDA beneficiary samples, it is much more common to buy dry land, often with the aim eventually of getting enough in one place to be able then to dig a well. This is a long process. Ten of the SFDA beneficiaries had bought dry land in the 1970s, and another seven had bought dry land earlier. None of those that had bought dry land had, during the lifetime of the household, (i.e. while the current household head was head of the household) subsequently dug a well. One had started and dug 20 feet but would need to dig another 40 feet or more to strike water and he was not likely to be able to do this.

There were fourteen beneficiaries who had dug wells, eight had either dug wells in the 1970s or finished digging wells in the 1970s. Four of the others had dug wells in the 1960s, and two in the 1950s. One had tried to dig a well but had struck rock and given up. There was also the one mentioned above that had started and then given up for lack of finance. Only two of those who had dug wells had also bought land, but in both cases they had bought small quantities of land subsequent to digging their wells, not before doing so.

One of the problems with these figures is the different time periods over which any one household existed. Some of the households went back over much longer periods than others, and the information was only collected systematically for the current household head.

The households involved in these long-term investments can be divided into 'rich' and 'poor' using the classification defined earlier. All except two of the well-digging households were rich: two of the poor marginal farmer households jointly with another household took out a loan which they used to pay themselves to dig their own well over a period of four years, from 1970-74. Each has a sufficiently small share in the total thottam to make them still 'poor'. They are agricultural labourers, and very obviously very poor. The individual who bought land and then started digging a well but ran out of finance is also poor by any standard, and certainly falls into the 'poor' category using the classification adopted here.

All of those 6 who bought thottam land were classified as 'rich'. All of those 10 who bought dry land in the 1970s except one, 'rich', and all except three of the 7 who bought dry land in the pre-1970 period were also still 'rich'.

The land purchases are obviously transfers rather than net additions to wealth in the area, and SFDA support is not available for these. Well-digging now requires very substantial investments of funds and as the water-table appears to be falling because there are too many wells too intensively used it would probably be counter-productive to encourage further investment in this direction unless progress is made

in improving the efficiency of groundwater recharge.[9] There was a spate of well-digging again in the early 1970s, some of it financed by the Land Development Bank and Land Mortgage Bank in Avanashi, but the general story is of wells having to be deepened further and further as the water table recedes. This is an example of a classic natural resource problem whereby uncontrolled individual competition for a limited resource is to the detriment of all users in the end.

It would be interesting to consider the possibility of SFDA support being available for the purchase of land in order to encourage a more equitable distribution of landholdings. As richer households migrate to the towns, there might be a case for support to enable poor rather than rich households to purchase the land put on the market. This would raise land prices and perhaps encourage rich households on the brink of deciding to migrate to the towns to leave their land to households remaining in the rural areas. This may or may not be a desirable move to encourage: the question of the rich moving to the towns is not entered into here, but it is worth considering. It is also worth considering what other ramifications there would be if land purchase were subsidised through an agency such as the SFDA.

Medium-term investments

The SFDA supports medium-term investments. In Varandur, these include, at 1980 costs:

(i) Well improvements: deepening, cement, walls, pipes, etc.: very variable cost;
(ii) Pumpsets at around Rs.3,500/= or more;
(iii) Powersprayers at around Rs.1,000/- to Rs.1,200/-;
(iv) Bullocks at around Rs.1,500/- a pair;
(v) Carts at around Rs.1,500/- to Rs.2,000/-;
(vi) Milch animals about to calve or just calved, at around Rs.2,000/-

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9. R.K. Sivanappan and P.K. Aiyasamy, Land and Water Resources of Coimbatore District, Tamil Nadu Agricultural University, 1978.

There are others: coconut seedlings, sheep and goats, etc., but the above were the more important in Varandur in 1980. Medium-term investments undertaken between 1975-76 and 1979-80 are shown in Tables 16 and 17. Replacement investments have been excluded in these tables.

Table 16 : Distribution of Medium-Term Investments 1975-76 - 1979-80 Among SFDA Beneficiaries, Varandur, 1980

	Marginal farmers	Small farmers	Total
Well Improvements	2	5 (1)	7 (1)
Pumpsets	5	3	8
Powersprayers	4 (1)	1	5 (1)
Carts	3	3 (2)	6 (2)
Bullocks	3 (1)	7 (4)	10 (5)
Milch Animals	8 (3)	2 (1)	10 (4)
Total Investments	25	21	46
Total Households§	26 (7)	19 (5)	45 (12)
Total Households Making investments	14 (4)	13 (4)	27 (8)

( ) Bracketed figures refer to no. of poor households in total

§ Excluding households on which incomplete information was available.

Table 17 : Distribution of clusters of Medium-Term Investments 1975-76 - 1979-80, SFDA Beneficiaries, Varandur 1980

(no. of households)

	Marginal farmers (1)	Small farmers (2)	Total (3)

	(1)	(2)	(3)
None	12 (3)	6 (1)	(18 (4)
Well Improvement only	0	1	1
Pumpsets only	0	0	0
Powersprayer only	0	1	1
Cart only	1	2 (1)	3 (1)
Bullocks only	0	3 (2)	3 (2)
Milch animals only	8 (3)	2	10 (3)
Bullocks and Cart	0	2	2
Bullocks and milch animals	0	0	0
Any other two	2 (1)	1 (1)	3 (2)
Any three	1	0	1
Any four	1	0	1
Unknown	3 (2)	2	5 (2)
Total Households	29 (9)	21 (5)	50(14)

Milch animals and bullocks were the commonest medium-term investments among SFDA beneficiaries over the five years from 1975-76 - 1979-80, no doubt partly due to the SFDA programme. Forty per cent of the households undertook no medium-term investment at all over the 5 year period. A further 40 per cent of the households only undertook one medium-term investment over the period. Only 2 households undertook more than two medium-term investments.

Short-term capital

Crop and livestock expenses are very heavy in Varandur and can be the source of substantial indebtedness, Crop inputs include hybrid seed, pesticides, insecticides, fertiliser, the hire of bullocks and ploughs, and casual labour, and these all added up to Rs.5,000/- or more per acre of thottam land and Rs.1,000/- per acre of dry land, in 1979-80. (Indeed this may be one reason for preferring dry land). Purchased input prices went up again very sharply in the April 1980 budget, so crop expenses were substantially higher in 1980-81. Crop expenses are a major concern of everyone farming in Varandur and they form an important part

of/the TNAA protest. Agricultural scientists maintain that farmers in Varandur and elsewhere in Coimbatore district are spending too much on crop inputs, and that they would do better spending less.

Livestock expenses can also be a problem, as will be seen shortly. These can be up to Rs.1,500/- per animal per year.

Non-agricultural investment

In addition to the purely agricultural investments discussed, there are investments in housing and other buildings, education, business and trade. These investments were not documented fully for the households in this study. There are many vacant houses in the villages but some households had spent substantial sums building houses in the main villages. Others had moved out to thottam lands where they had built stores and then houses, again representing substantial investments. Education could be a strong claim on a household's resources once children got into secondary education and beyond. Dowry payments and receipts also play an important role. Finally there is all the investment in business and trade. None of this was covered at all fully in the study, and it is not pursued further in this paper except incidentally.

(b) Investments Supported by the SFDA

The SFDA supports medium-term investments for agricultural purposes. The majority of the medium-term investments made between 1975-76 and 1979-80 by SFDA beneficiaries in Varandur were financed by SFDA subsidised credit. This is shown in Table 18 which includes replacements as well as new investment.

Table 18: SFDA-Supported Medium-Term Investment 1975-76 - 1979-80, SFDA Beneficiaries, Varandur 1980 (no. of investments)

	SFDA Supported	Other	Total
Well improvements	1	6	7
Pumpsets	4	4	8
Powersprayers	5	0	5
Carts	6	0	6
Bullocks	22	0	22
Milch Animals	31	1	32
Total	69	11	80

The viability of SFDA-supported investments in bullock, carts and milch animals is discussed in more detail. This represents 74 per cent of the medium-term investments and replacements recorded by SFDA beneficiaries in the Varandur sample and 85 per cent of those financed by the SFDA.

Before taking up the viability of these investments the average numbers of livestock per SFDA beneficiary household are presented in Table 19. This is followed by Table 20 in which the distribution of total cattle numbers per household is given

Table 19: Average cattle numbers per SFDA Beneficiary Household, Varandur, 1980

	Marginal farmers	Small farmers	Total
Per household:			
Total no. of cattle	3.40	3.86	3.60
Total adult male	0.99	1.29	1.10
Total adult female	1.36	1.48	1.35
Total under 3 years	1.18	1.10	1.14
Total households	28§	21	49§

§ Excludes one household with larger than average cattle numbers.

Table 20: Distribution of total number of cattle per household, SFDA Beneficiary Households, Varandur 1980 (no. of households)

No. of cattle Per household	Marginal farmers	Small farmers	Total
0	4 (1)	3 (2)	7 (3)
1-2	6 (2)	1	7 (2)
3-4	9 (2)	12 (3)	21 (5)
5-6	6 (3)	1	7 (3)
7-8	2 (1)	2	4 (1)
9-10	1	2	3
Unknown	1	0	1
Total households	29 (9)	21 (5)	50 (14)

( ) Bracketed figures show the no. of 'poor' households in the totals.

Thus the mean number of cattle is between 3 and 4 as is the model number per household. Relatively few households among the SFDA beneficiaries have no cattle and relatively few have more than six. Although it is official SFDA policy to give 2 milch animals to all beneficiaries as one milch animal is not considered financially viable, in Varandur no beneficiary household had received more than 1 SFDA milch animal and of the 31 households that had received SFDA milch animal loans 13 or 42 per cent only had the one SFDA milch animal. The others had one or more of their own milch animals to complement the single animal financed through the SFDA. Among the SFDA beneficiary households that had not had SFDA milch animal loans, there were 10 that kept single milch animals also. The poor do not necessarily have less cattle than the rich. There are slightly more female and young than male cattle, as can be seen from Table 19.

(i) Bullocks and Carts

Bullocks and carts are used very extensively in Varandur where they play a crucial role in the local economy. They are one of the most important vehicles for the transport of goods and people, both over short distances and over long distances, going as far as Coimbatore which is 60 kilometres away, and occasionally even further. They are used for farm work: for ploughing, for transporting inputs such as seed, fertiliser, pesticides and insecticides, for transporting soil and manure, and for transporting output to market. They are used a good deal by traders for transporting goods, and they transport people to local markets, more distant markets, health centres, and to ceremonies and festivals. Their role has been supplanted to some extent by the advent of bicycles, the more extensive network of bus services, and the availability of lorries, but they are still a very important part of the local economy today.

Bullocks and carts are supposed to be good investments for small farmers, marginal farmers and agricultural labourers because if they can be hired out their owners can earn much higher wages than if they hire out their labour power alone. In Varandur, however, there appear to be a number of problems with this argument. Firstly, to hire out

bullocks and carts, the household has to have one and preferably two strong adult males to work with the bullocks and cart on a fairly full-time basis. One or two people manage with one household member and a hired labourer, but many prefer to work with at least one other household member or not at all. The market for hire is not easy as there are such large numbers supplying bullocks and carts for hire. There are a number of possibilities open: they range from occasional local transport to long distance transport on a regular basis. Long distance transport is regarded as dangerous and arduous, and it really requires tough adult males. But even local hire requires more than one adult and this puts it out of the reach of many families.

The costs of maintaining bullocks is another major factor in the calculation. Fodder is one problem often cited as crucial in the decision as to whether to keep bullocks or not. If they are worked at all intensively the bullocks also need concentrates, although many do not use these. Then there is the question of labour to herd and care for the bullocks when they are not at work as well.

The value of bullocks and carts is much greater to those with thottam land than those without. (Several people answered the question about whether they had or had ever had bullocks "No, because I do not have any thottam land.") They can be used to augment the value of farming activities most importantly by transporting soil and manure, but also in all the other ways already mentioned. Enormous quantities of soil are moved from the edges of dams, rivers, roads and other waste lands. These are sometimes mixed with manure and sometimes applied as they are to thottam, but seldom to dry land. It is much cheaper for those with thottam land to maintain bullocks also of course. Many of the crop residues are valuable as fodder and the labour involved in herding and caring for them is also very much reduced if they can be kept on the residues from crops grown on thottam land.

The distribution of bullocks and carts among SFDA beneficiaries is shown in Table 21.

Table 21: Distribution of Bullocks and Carts Among SFDA Beneficiaries, Varandur 1980 (no. of households)

	Marginal farmers	Small farmers	Total
Bullocks and carts	12	13	25
thottam > lac	10	10	20
2+ adults	9	11	20
Bullocks only	2	0	2
thottam > lac	2	0	2
2+ adults	1	0	1
Carts Only	1	1	2
thottam > lac	1	0	1
2+ adults	1	1	2
No. with none	14	7	21
thottam > lac	4	1	5
2+ adults	7	3	10
No. hiring out bullocks and carts	4	1	5
Total no. of households	29	21	50

Thus, among the SFDA beneficiaries, half have bullocks and carts and another three have bullocks or a cart. Despite the fact that ploughing requires several pairs of bullocks working together only one household owned more than one pair of bullocks. The majority of those with bullocks and carts have one acre or more of thottam land. Of the five that do not, three use their bullocks and carts for trade or business (woodcutting), One keeps his bullocks on his wife's father's land where they may also be used. The other is difficult to understand. Five of the 21 that have more than one acre of thottam land do not have bullocks

and carts. Two are builders or retired builders. One has no adult labour except the household head who also trades. Two have thottam land but say they cannot feed bullocks. One of these had a brother with bullocks.

Those that hire out bullocks and carts all have two or more adult males in the household. Three have one acre or less of thottam land, and two are grown sons not working much with their fathers. These grown sons both go out with labourers to help them with their bullocks and carts.

SFDA Support

The role of SFDA in the provision of bullocks and carts emerges from the following table, Table 22.

Table 22: The Role of the SFDA in Investment in Bullocks and Carts Among SFDA Beneficiaries, Varandur 1980 (no. of households)

	Marginal farmers	Small farmers	Total
Total households with bullocks	14	13	27
Households with SFDA bullocks	8	14	22
SFDA bullocks : replacements or additions	4	7	11
SFDA bullocks : 1st ever	3	6	9
Unknown if 1st ever	1	1	2
SFDA bullocks sold or died	0	3	3
Total households with carts	13	14	27
Households with SFDA carts	3	3	6
SFDA carts sold	1	0	1
Total households	29	21	50

Thus, 22 of the 27 pairs of bullocks were SFDA supported, but eleven of these were replacement bullocks rather than new ones. It

may be that the replacement of an old pair with a considerably improved, high quality new pair represents a valid SFDA supported investment, but this is clearly not what the SFDA people have in mind intalking of the number of households they have enabled to purchase bullocks for the first time. Of the nine first ever bullock purchases financed by SFDA subsidised credit, three were liquidated within a year of the purchase. These households either found the bullocks too difficult to keep, or/too little use, or they may have been astute in calculating that they could get the benefit of the subsidy element of the loan by taking it and then cashing it in this way. In the three cases involved, the latter explanation seems the most plausible. All were small and not marginal farmers. One was the astrologer, and two were sufficiently well-established farmers for it to be difficult to believe they did not know what they were doing.

Of the six that got bullocks for the first time through the SFDA, and kept them, one was a rich ex-trader trying his hand at farming for the first time, one was a young good farmer who had recently separated his farming from his father's, and a third was a young son of a rich father starting his own bullock and cart work. These would both undoubtedly have financed their own bullocks, were it not for the subsidy benefits of the SFDA programme. The remaining three were definitely poor, good claimants on SFDA resources. One was the woodcutter for whom the bullocks and cart would be helpful in the woodcutting business. One of the other two will probably soon start hiring out the bullocks and cart with his grown son. The other was poor with a small area of thottam land after digging a well with his brothers, and he might make something of the bullocks and cart, though he does not have much adult labour to spare, nor does he quite have enough thottam land to justify such an investment. Out of 22 SFDA bullock loans, we have thus come to the conclusion that three may really serve the purpose for which they were intended at least at some levels in the SFDA hierarchy.

(ii) Milch Animals

Milch animals are widely regarded as promising investments for small farmers, marginal farmers and agricultural labourers in India, and in some areas it appears that they have been relatively successful

means of improving the position of the poor. They are supposed to be particularly valuable in improving the position of women as traditionally it is women who are responsible for looking after milch animals.

In theory, a household does not have to own land to make a success of milch animals. Fodder can be collected from roadsides and other waste land where animals can also be grazed, and concentrates can be purchased to supplement this. Fodder can also be purchased if need be. The regularity of milk receipts is supposed to remove any financial constraints that might otherwise make it difficult to purchase fodder and concentrates as needed.

In practice, in Varandur, lack of fodder is regarded as a major constraint limiting the possibilities of keeping milch animals, and whether such animals are kept when milking. The total number kept is always discussed in terms of fodder rather than financial or other constraints. There is either not enough fodder, or not enough labour to collect the fodder that is required. One old lady broke her hand while waiting for her SFDA milch animal to come through, so she was given money to buy goats instead because she would not be able to pick grass with a weak hand. More labour is required if there are no easy sources of fodder nearby on one's own farm and this can make the difference between the viability and non-viability of a milch animal enterprise for people with little or no land.

The returns to keeping milch animals appear not to be very high in Varandur. This is partly because milk marketing is not very well organised there despite the existence of an Anand-type programme in the district.[10]

There is a cooperative milk marketing society in Periavarandur, the Varandur hamlet not included in this study, but many farmers in Varandurpudur and a few in Chinnavarandur felt that this was

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10. I am grateful to L.P. Swaminathan for letting me see the draft of his study of the efficiency of milk cooperatives in Coimbatore. This provided me with valuable background on the functioning of the milk cooperatives in Coimbatore generally.

too far away to be of value to them. Table 23 shows the distribution of outlets used by SFDA beneficiaries in Chinnavarandur and Varandurpudur.

Table 23: Milk Sales Outlets Used by SFDA Beneficiaries, Varandur 1980

(no. of households)

	Chinnavarandur		Varandurpudur		Total		Overall Total
	MF	SF	MF	SF	MF	SF	
No. of households selling to:							
Cooperative	8	6	1	0	9	6	15
Vendor	1	1	6	2	7	3	10
Both Vendor and Cooperative	1	1	2	0	3	1	4
Teashop	0	0	3	2	3	2	5
Not selling	1	1	0	3	1	4	5
Unknown	1	1	3	2	4	3	7
Not producing	1	0	1	2	2	2	4
Total households	13	10	16	11	29	21	50

It was not usually considered worth the time spent taking small quantities of milk once or twice daily to the society if it was three or four miles away as was the case for most people in Varandurpudur. It was no good getting other people to take one's milk because it was important to watch the butterfat content being tested to ensure that one got the correct price. The cooperative buys on butterfat content and in 1980 it was possible to get between Rs.1/40 and Rs.1/80 per litre depending on the butterfat content. This compared with Rs.1/25 from milk vendors or local teashops. Farmers in Chinnavarandur had approached the Tamil Nadu Dairy Development Corporation about setting up their own cooperative but they were told that the Periavarandur society was too near and that they should use that.

The alternatives to the cooperative are the milk vendors, or the local teashops in the case of Varandurpudur. Varandurpudur has a

substantial number of local teashops; Chinnavarandur does not). Private traders use agents to go round milking the animals themselves and they then pay by the litre of milk. The trouble with this system is that the price is low. Varandur's distance from major transport routes must make milk production less economic than in some other areas, but it has been argued that the problem is more fundamental than this, in that the producer milk price in Tamil Nadu generally is too low.[11]

Whether because Varandur is not a good area for producing milk, or because the milk price is being held too low, or for other reasons connected with the availability and price of concentrates, veterinary services and general livestock management skills, some of the bigger landholders in the SFDA beneficiary samples felt that it was not really worth bothering with milk. They kept cattle for their manure, and they only kept a small proportion of females in milk to meet the needs of their own households.

Among the SFDA beneficiaries in the study, there were quite large numbers of adult female buffaloes and cows as can be seen from Table 24 below. Furthermore, less than 20 per cent of these households did not have any adult females, as Table 25 shows.

Table 24: Average numbers of female cows and buffaloes over 3 years in SFDA Beneficiary Households, Varandur 1980 (no. of cattle)

Per Household :	Marginal farmers	Small farmers	Total
Total adult females	1.25	1.38	1.31
Adult female buffaloes	0.96	0.90	0.94
Adult female cows	0.29	0.48	0.37

11. Hindu, May 8, 1980

Table 25 : Distribution of Female Cows and Buffaloes Over 3 Years Among SFDA Beneficiary Households, Varandur 1980

(no. of households)

Per household	Marginal farmers	Small farmers	Total
None	5 (1)	4 (1)	9 (2)
1	14 (8)	9 (5)	23 (13)
2	7 (6)	5 (4)	12 (10)
3	1	2 (1)	3 (1)
4	1 (1)	1	2 (1)
Unknown	1 (1)	0	1 (1)
Total	29 (17)	21 (11)	50 (28)

( ) Bracketed nos. indicate those with one acre or more of thottam land in the total.

The returns to keeping milch animals may be more obvious to those with thottam land, but as Table 25 shows it is not only those with thottam land that keep milch animals. There is a certain amount of specialisation in milch animal enterprises in Varandur. There are those that buy milch animals in calf or recently calved, keep them through the lactation, get them in calf again, and continue, as the SFDA assumes. However, there are others that buy animals not yet in calf, get them in calf, keep them until ready to calve or just calved, and then sell them. There are yet others that buy when the animal has just calved and sell when it has finished milking, and so on. Those that do not keep milking animals say that it is because they have insufficient fodder to do so. This may be true, but there are probably other factors such as labour that are also involved. Table 26 shows the type of milch animal enterprise in which SFDA beneficiaries are involved.

Table 26: Milch Animal Enterprises of SFDA Beneficiary Households Varandur 1980§ (no. of households)

	Marginal farmers	Small farmers	Total
Milking more than 1 lactation	25	12	37
Milking 1 lactation and then selling	2	4	6
Getting in calf and selling	2	3	5
No milch animal enterprise	1	2	3
Total households§§	29	21	50

§ : Totals do not all sum as there were 2 households involved both in milking more than one lactation and in getting in calf and selling.

§§ Not all of these activities were being operated in 1980.

It was only in Varandurpudur that people were involved in getting animals in calf and then selling, but this was clearly common outside the SFDA beneficiary samples in both villages. Four of those involved in getting animals in calf and then selling had no thottam land. The other had one acre only. This was more of a male activity, too.

The economics of milch enterprises is seriously influenced not only by the availability of fodder and the right kind of labour, and the price that can be obtained for milk, and the value of manure. It is also influenced by such things as the quality of the animals on which the enterprises are based, the length of lactation and the length of dry periods between lactations as well as the yield of milk over the lactation, and mortality rates. Many of these are management factors, although of course economic factors are also involved. The availability and accessibility of veterinary services is obviously crucial, for example.

In Varandur, milk yields did not appear to be very high, lactations were often short, and dry periods long, and mortality rates were

also high. Some of the averages are given below for households for which this information was available.

Table 27 : Average Indicators of Performance in Dairy Enterprises.

SFDA Beneficiaries, Varandur 1980.

	Marginal farmers	Small farmers	Total
Total adult females	34 (27)	28 (20)	62 (47)
Females in milk	12 (27)	16 (11)	28 (38)
% females in milk	33	58	46
Average of max. milk yields (litres/day)	3.9 (26)	4.0 (13)	4.0 (39)
Average of max. lactation months	8.3 (23)	8.3 (11)	8.3 (34)
Average of min. dry period	8.2 (22)	5.8 (9)	7.6 (31)

( ) Bracketed figures indicate no. of observations involved in each average. Data on some of these indicators are incomplete.

Thus on average SFDA beneficiaries engaged in milch animal enterprises are getting a maximum milk yield of four litres per day at the peak of lactation, they are milking for roughly 8½ months, and they are leaving their cattle dry for 7½ months. The dry period is distinctly high and the lactation period is rather short. With these sorts of performance figures it would be difficult to make a milk enterprise pay. Very rough calculations would be Rs.620/- per year if they sold all their milk, and more like Rs.500/- per year if they kept some back. Out of this they would have to buy concentrates, perhaps some fodder, and they could sell or use manure. Not much would be left to service a loan repayable over a period of 2-3 years. But of course, performance is not averaged. Some do relatively much better than others and vice versa.

Table 28: Mortality and Veterinary Care, SFDA Beneficiary Households Varandur 1980

	Marginal farmers	Small farmers	Total
Past 3 years No. of deaths			
adult female	2	2	4
adult male	2	0	2
Calf 3 months or less	0	4	4
calf over 3 months	4	0	4
Unknown	0	2	2
Vet visits farm	13	8	21
Vet seen away	2	5	7
Never seen vet	8	1	9
Not applicable	1	2	3
Unknown	6	5	10
No. of animals sold sick	2	1	3

There are no obvious relationships between mortality and veterinary contact, between mortality and good or bad performance in dairying, or between mortality and poverty. It is obviously partly just bad luck if an animal dies. This does not apply to calves, however. Calves are often allowed to die as they are often barely considered worth keeping and this is an easy way out.

SFDA Support

We now come to the question of the role of the SFDA in enabling households to obtain milch animals in Varandur. This is shown in Table 29.

Table 29 : The Role of the SFDA in Investment in Milch Animals Among SFDA Beneficiaries, Varandur 1980 (no. of households)

	Marginal farmers	Small farmers	Total
Total households with milch animals	29	19	48
Households with SFDA milch animals	22	9	31
SFDA milch animals replacements or additions	12	6	18
SFDA milch animals 1st ever	8	2	10
Unknown if 1st ever	2	1	3
SFDA milch animals sold	4	1	5
SFDA milch animals died	1	1	2
1st ever SFDA milch animals sold	1	1	2
1st ever SFDA milch animals died	1	0	1
Total households	29	21	50

Thus, 31 of the 48 households with dairy cattle had had SFDA milch animal loans, but 18 of these loans were for replacements or additions in households in which there were already dairy cattle and for 3 the replacement position was unknown. Of the 10 SFDA loans that financed 1st ever dairy cattle, two were liquidated within a year as the animals were sold. The eight households that retained 1st ever dairy animals financed with SFDA loans included three farmers with thottam land; one millworker; a weaver household with a retired weaver head and a barber household with a retired barber head; and two agricultural labourers, one of whom works with bullocks and a cart. In terms of the earlier classification, three of these households were classed as 'poor': that included the weaver and the barber households, but not the agricultural labourer working with bullocks and cart. At most one might include four as genuine candidates for SFDA milch loans which had really served the purpose for which they were intended. This includes the agricultural labourer working with bullocks and cart. This is no better than the proportion of bullock loans that could have been

regarded as legitimately serving the purpose for which the SFDA was set up.

III. Loans and Credit

The SFDA is being introduced in a situation in which rural households already have substantial involvements in credit. The All India Debt and Investment Survey 1971-72, Indebtedness of Rural Household and Availability of Institutional Finance, Reserve Bank of India, 1977 gives ample evidence of this on an All India basis. Varandur is no exception.

Loans are available from the village cooperative society in Varandur which has been lending mainly for inputs through the 1970s. The banks have been involved in different ways: around 1970 the Land Development Bank and the Land Mortgage Bank in Avanashi financed a certain amount of investment in wells. More recently banks have been financing crop inputs and some medium term investments. The banks are also involved in 'jewel loans' which are given automatically and on standard terms to anyone depositing jewelry as security. Then there are the private sources: moneylenders, employers, 'relatives' and friends. Cooperative loans are cumbersome: it takes three to four months to get them approved, and the interest charged on them in 1980 was twelve per cent. Bank loans are regarded as much more satisfactory, agreement sometimes taking only two to three days and in 1980 they bore an interest rate of only nine per cent. But their terms were enforced more strictly than those of the cooperatives. Jewel loans are straight forward but limited to the jewelry available. The interest rate is comparable to that charged by cooperatives: 90 paise, 95 paise or one rupee per hundred rupees per month, 10.8 to 12 per cent per annum. Private loans vary from those from close relatives and friends some of which bear no interest at all, especially if given for short periods of a few weeks or months, to those that bear interest Rs.1/- per 100 per month and those that bear Rs.2/- per 100 per month. The standard rate for strictly commercial loans appears to be Rs.2/- per 100 per month, or 24 per cent p.a. This is not a high interest rate for moneylending in rural India.

The moneylending situation has changed dramatically in Tamil Nadu since 1976 when the State government first sounded serious about introducing legislation putting a moratorium on (and possibly even writingoff completely) all private debts of poor households. This has produced very dramatic results in Varandur where moneylenders say they no longer engage in serious moneylending activities which used to be highly profitable to them, and poorer households say they can no longer get private loans.

In general, credit appears not to be very tight in Varandur. People are reluctant to take loans for fear of being unable to repay. They blame the unpredictability of agriculture and the generally low level of returns even in the relatively good years.

The data on financial involvements of SFDA beneficiaries interviewed in Varandur in 1980 are presented below. The data are reasonably complete but there was a number of households for which this information was not pursued in enough detail and these have been excluded from the tables as noted..

Table 30 suggests that private, cooperative and bank loans are all important: larger numbers of households are involved in cooperative and bank loans than private, but private loans are large on average than bank or cooperative loans. The total for private loans exceeds the total for cooperative loans, but not the overall total for bank loans.

Table 31 shows the way in which borrowing patterns of Varandur SFDA beneficiaries have changed from 1970-75 to 1976-80, and how SFDA loans fit into the total picture. Private lending appears to have declined dramatically both in absolute and relative terms in a period over which total lending has increased. This is consistent with Varandur moneylenders saying that the bottom has dropped out of their market since 1976. Non-SFDA cooperative lending appears to have declined slightly (1970-75 encompasses 6 years whereas 1976-80 only encompasses 4½), and non-SFDA bank lending appears to have increased. What is striking is the importance of SFDA-supported loans in the total for 1976-80 and in both cooperative and bank lending shares. There may be some under-reporting of debts even though the obviously incomplete records have been excluded from this table but the overall trends and the orders of magnitude are almost certainly correct.

Table 30: Non-SFDA sources of credit 1970-80, SFDA Beneficiaries, Varandur 1980

	Marginal Farmers			Small Farmers			Total		
	No. of HH	Total Amount Borrowed Rs.'000	Average Borrowed per HH Rs.'000	No. of HH	Total Amount Borrowed Rs.'000	Average Borrowed per HH Rs.'000	No. of HH	Total Amount Borrowed Rs.'000	Average Borrowed per HH Rs.'000
No loans	5(5)	0	0	1 (1)	0	0	6(6)	0	0
Private	11(3)	48.1	4.4	3 (0)	15.0	5.0	14(3)	63.1	4.5
Cooperative	14(3)	45.9	3.3	8 (2)	11.5	1.4	24(5)	57.4	2.4
LDB, LMB	7(2)	23.3	3.3	1 (0)	10.0	10.0	8(2)	33.3	4.2
Other Bank	8(1)	24.6	3.1	8 (1)	35.2	4.4	16(2)	59.8	3.7
Unknown	2(1)			6 (1)			8(2)		
Total (excluding unknown)	27+(8)	141.9	5.3	15+(4)	71.7	4.8	42+(12)	213.7	5.1

\+ Totals do not add as some households borrowed from more than one source

( ) Nos. of poor households in totals

Table 31 : SFDA and Non-SFDA Loans 1970-75, and 1976-80, SFDA Beneficiaries Varandur 1980 (Rs. '000)

	Cooperative			Bank			Private		Total		
	1970-75	1976-80	SFDA	1970-75	1976-80	SFDA	1970-75	1976-80	1970-75	1976-80	SFDA
Marginal Farmers§	24.4	21.5	31.8	27.8	22.1	29.9	41.0	7.1	93.2	50.7	61.7
Small Farmers$	4.5	7.1	12.9	10.9	21.3	13.6	11.0	4.0	36.4	32.4	26.5
Total	28.9	28.6	44.7	38.7	43.4	43.5	52.0	11.1	129.6	83.1	88.2

§ Excluding 2 cases on which information incomplete and/or unavailable

$ Excluding 6 cases on which information incomplete and/or unavailable

Table 32: Distribution of Non-SFDA Loans 1970-80 Among SFDA Beneficiaries, Varandur 1980 (no. of households)

Total Borrowed 1970-80	Marginal Farmers	Small Farmers	Total
Rs.20 - 30,000/-	2 (0)	1 (0)	3 (0)
Rs.10 - 19,999/-	3 (0)	0 (0)	3 (0)
Rs. 5 - 9,999/-	5 (3)	3 (0)	8 (3)
Rs. 1 - 4,999/-	8 (0)	6 (1)	14 (1)
Up to Rs.999/-	4 (0)	4 (2)	8 (2)
Nil	5 (5)	1 (1)	6 (6)
Unknown	2 (1)	6 (1)	8 (2)
Total	29 (9)	21 (5)	50 (14)

( ) Nos. of 'poor' households in totals

Table 32 shows the distribution of total borrowing between 1970 and 1980 among Varandur SFDA beneficiaries. Considering the length of the period involved, the totals seem quite small. As will be seen below, however, the amounts seriously overdue, are substantial.

The extent of indebtedness is shown in Table 33.

Table 33: Distribution of Non-SFDA Overdues Among SFDA Beneficiaries, Varandur 1980 (no. of households)

Overdue more than one year (Rs.)	Marginal Farmers	Small Farmers	Total	Overdues as % of total borrowed
15 - 20,000	1 (0)	1 (0)	2 (0)	89 %
10 - 15,000	3 (0)	1 (1)	4 (1)	49 %
5 - 10,000	2 (1)	0 (0)	2 (1)	76 %
1 - 5,000	4 (1)	2 (1)	6 (2)	56 %
Less than 1,000	4 (0)	3 (1)	7 (1)	57 %
Amount unknown §	0 (0)	1 (0)	1 (0)	?
Total	14 (2)	8 (3)	22 (5)	60 %
No overdues more than one year of which:				
Loans > 1 year	6 (1)	4 (1)	10 (2)	
Loans but none > 1 year	0 (0)	4 (0)	4 (0)	
No loans	6 (5)	2 (1)	8 (6)	
Total	12 (6)	10 (2)	22 (8)	
Unknown	3 (1)	3 (1)	6 (2)	

§ This was the astrologer who had overdues of more than one year owed to the cooperative society

( ) Nos. of 'poor' in totals

Of the 44 on which there was sufficient reliable information 50 per cent had no overdues of more than 1 year's standing, and 68 per cent had no overdues of Rs.1,000/- or more of more than 1 year's standing. Only 32 per cent had known overdues of more than 1 year's standing of more than Rs.1,000/-. The percentage is higher however, if one looks only at those that could have accumulated 1 year overdues. Twelve of the 44, or 28 %, had not had any loans of more than 2 year's standing at the time of the enquiry. The percentage of those that had had loans 2 years or more prior to the inquiry, that had overdues/of more than Rs.1,000/ of 1 year or more outstanding was 44. Thus of those that could have had overdues in the sense used here , 44 % had and 56% had repaid on time, or nearly on time.

More of the poor had no overdues than had overdues, but this was because the majority of the porr had not had credit of more than 2 year's standing. Of the poor that had had credit of more than 2 year's standing, most, 5/7, had overdues, one or two of them quite substantial overdues.

Neither of two with serious overdues over Rs.15,000/- meets SFDA eligibility criteria. Two of the four with overdues between Rs. 10,000/- and Rs.15,000/- meets SFDA criteria but they do not meet the 'adjusted acreage' criteria discussed above. One of the two with overdues between Rs.5,000/- and Rs.10,000/- meets both sets of criteria, and three of the six with overdues between Rs.1000/- and Rs.5,000/- meet SFDA criteria and two of these also the 'adjusted acreage' criteria. Thus of the 14 with serious overdues of Rs.1,000/- or more, 6 meet SFDA criteria and 3 meet the 'adjusted acreage' criteria also.

The overdues were distributed between different credit sources as shown in Table 34 from which it is clear that both cooperative and private overdues are much higher than overdues with banks.

The Role of SFDA-Subsidised Credit

The number of SFDA loans per household shown in Table 35.

Table 35: Distribution of SFDA Loans Per Household, Varandur 1980:

(no. of households)

No. of loans	Marginal farmers	small farmers	Total
1	21 (7)	14 (4)	35 (11)
2	5 (2)	7 (1)	12 (3)
3	3 (0)	0 (0)	3 (0)
Totals	29 (9)	21 (5)	50 (14)

( ) No. of 'poor' in totals

One of the households with 3 loans had overdues outstanding for more than 1 year of about Rs.17,000/-; another had no serious overdues outstanding; the third's overdues position was not known. Two of the households with 2 SFDA loans had serious overdues between Rs.10,000/- and Rs.15,000/-, one had serious overdues of less than Rs.1,000/-, 5 had no overdues, and the overdues position of the others was unknown. SFDA loans are only supposed to be issued to those with "no overdues" certificates. This can be evaded by having overdues registered in the name of one household member and the SFDA loan in the name of another; it does not apply to private informal loans; and it is sometimes possible to get a "no overdues" certificate that is false, though there was no positive evidence of such a practice in the Varandur study.

SFDA -subsidised credit has to be seen in the context of the network of existing financial involvements discussed above. If a cheap source of credit is provided it becomes attractive to everyone, particularly those already substantially involved in credit for whom it provides a substitute for more expensive sources. One of the questions to ask is thus whether SFDA credit is simply replacing alternative credit, and providing it on more attractive terms. It is not always the case that SFDA credit is cheap after various initial payments have been made. Payments to officials and others involved did not appear to be very high in Varandur unlike in the MIDS study where they were widespread and substantial.

There was some evidence of households using SFDA credit to pay off other debts or to replace other credit, as for instance might be the case if existing livestock were sold and replaced with SFDA financed livestock, the proceeds of the sale being used to repay other credit or to finance something else. Eleven of the 22 bullock loans and 18 of the 35 milch animal loans were replacement loans enabling the sale of existing animals and realisation of at least some of the value of the loan in cash. A further two of the SFDA milch animal loans were liquidated within a year, freeing the proceeds for an alternative use.

A few people with SFDA loans which were their first loans ever, or first formal loans ever, would not want to take out loans again. Two households definitely did not want an SFDA or other loan again "because of the repayment problem", and four more did not like loans but could just manage one SFDA loan at a time.

There were three or four clear cases where SFDA loans were leading to increasing involvements with formal credit institutions. Although it was not possible to say whether such involvements would have developed without SFDA subsidies, it is possible to indicate what sort of households were in this category. They were exclusively rich households but not always the richest, some of which were already very involved with formal credit institutions before the introduction of the SFDA programme in Varandur. There is a quite separate question that is also of interest: whether SFDA subsidised credit is getting people into credit for the first time, or into formal or institutional credit for the first time. One might want the SFDA simply to provide a cheaper source of credit so that people will take on more credit than they otherwise would. This is the way that subsidised credit is envisaged in much of the SFDA documentation. One might want the SFDA to get people into institutional credit in the expectation that they will be able to continue with a profitable involvement when the initial subsidised credit is no longer available. Or/and one might want the SFDA to enable people escape from moneylenders and other more onerous credit relationships.

The extent to which the SFDA was getting households involved in credit for the first time, or involved in formal credit for the first

time, is indicated in Table 36.

Table 36: The Role of SFDA in Introducing Households to New Credit Sources, SFDA Beneficiaries, Varandur 1980 (no. of households)

	Marginal Farmers	Small Farmers	Total
Nos. never had credit before SFDA loan	3	2	5
Nos. never had bank or coop. credit before SFDA	6	2	8
Nos. never had bank credit and getting it for 1st time	1	3	4
Nos. never had coop. credit and getting it for 1st time	2	2	4
Nos. had coop. and/or bank credit and getting more through SFDA	17	9	26
Unknown	3	6	9
Total households§	29	21	50

§ Column totals do not add because there is some double counting in the first two rows.

Eight of the SFDA beneficiary households or 20% of those on which sufficient information was available had never had formal institutional credit before, and five of these had never had loans of any kind. Another 20 per cent were being introduced to new institutions through the SFDA. However a little over 40 per cent were continuing with institutional sources with which they were already involved, or had been involved previously.

Of the 5 getting credit for the first time through the SFDA, one would probably continue if possible, one did not want it again, and the

other three were different cases: one was the old widow whose absentee son was supporting her, another was the barber household, and the other was a household in which disagreements between the old parents and the young married son made loans of any kind difficult to obtain. The household had repaid its SFDA loan shortly after receiving it 'because of family strife'. The 3 getting formal credit for the first time through the SFDA, but already involved in informal credit, included one that did not want SFDA credit again, one that might continue and only one that definitely wanted to continue.

Table 37 : Repayment of SFDA Loans, Cooperative and Bank, Varandur, 1980

	1976		1977		1978		1979		1980		Total	
	Coop	Bank	Coop	Bank	Coop	Bank	Coop	Bank	Coop	Bank	Co-op	Bank
Fully Repaid	0	2	0	2	0	2	0	1	0	0	0	7
Partly Repaid	0	0	0	1	4	11	13	5	0	1	17	18
None Repaid	0	1	0	0	5	0	6	3 (1DK)	0	3	11	7 (IDK)
Unknown	0	0	0	1	4	1	0	0 (IDK)	0	0	4	2 (IDK)
Total	0	3	0	4	13	14	19	9 (2DK)	0	4	32	34 (2DK)

Table 38: Repayment of SFDA Loans, Milch Animal and Bullock, Varandur 1980

	1976		1977		1978		1979		1980		Total	
	Milch	Bul-lock	Milch	Bul-lock	Milch	Bul-lock	Milch	Bul-lock	Milch	Bul-lock	Milch	Bul-lock
Fully Repaid	0	1	0	2	0	2	0	0	0	0	0	5
Partly Repaid	0	0	0	1	4	11	12	3	0	0	16	15
None Repaid	0	0	0	0	4	1	6	1	0	0	10	2
Unknown	0	0	0	0	5	0	1	0	0	0	6	0
Total	0	1	0	3	13	14	19	4	0	0	32	22

Tables 37 and 38 show the repayment position for SFDA loans. Many of the 1979 and certainly the 1980 loans were barely due for repayment at the time of the study, but the tables show a repayment position that looks under control, slightly less good for cooperative than for bank loans and slightly less good for milch animal than for bullock loans.

We now put the credit information together with the information on households that had obtained bullocks or milch animals for the first time through the SFDA. Of the six getting bullocks for the first time through the SFDA, none was very seriously indebted, but one had an outstanding debt between Rs.1,000/= and Rs.5,000/=. All had had formal institutional credit before. Of the 10 getting milch animals for the first time through the SFDA, 4 had no outstanding debt of more than one year, and another three had debts outstanding of Rs.1,000 or less each; one had a debt of Rs.10,000/= outstanding. There was insufficient information on the other two on indebtedness. Again, of those 10 getting milch animals for the first time through the SFDA, five were already involved in formal credit, one had had informal but not formal credit before, one had had no credit before and there was insufficient information on the credit involvements of the other three to tell precisely what previous involvements they had had.

There was no overlap between households obtaining bullocks for the first time through the SFDA and households obtaining milch animals for the first time through the SFDA. There were two households getting bullocks or milch animals for the first time through the SFDA and also getting formal credit for the first time through the SFDA. These were the agricultural labourer household that already had bullocks and a cart which family members hired out, and that obtained a milch animal for the first time through the SFDA, and the barber household whose recently retired head had time to look after a milch animal which he acquired through the SFDA. All the other households acquiring 1st ever milch animals or bullocks through the SFDA had previously got involved in cooperative or bank credit.

Conclusions:

There are some specific points that need reiterating in concluding : the dangers of adopting general solutions that are not appropriate in particular local circumstances, the difficulties of identifying poor households without resorting to sophisticated criteria that are difficult to implement, the fallacy of designing a programme as if a tabula rasa existed. But the argument that really needs stressing in the end is a more general one. The experience of the SFDA in Varandur between 1975 and 1980 seems to me to support the view that the internal contradictions in the SFDA programme as evidenced in Varandur are such as to make it impossible for it to achieve the goals set out for it. To design a subsidised credit programme for households that would not be considered credit-worthy without the subsidy, and to expect credit institutions subject to conventional banking constraints to be prepared to implement it on a voluntary basis, is expecting too much. The provision of subsidised credit, in cash or in kind, is not enough to turn "unviable" into "viable" households in situations in which there is far more than lack of finance preventing poor households from making a success of their economic activities. It is rare to find finance alone the constraint on the viability of households at the lower end of the socio-economic spectrum in rural areas in poor countries. In India, with all the pressures on nationalised banks to lend to "priority sectors" in which the rural poor feature prominently, it may be that finance will become one of the least important of constraints on rural poor households. These households were put in a position of being able to pursue more economic activities more successfully the banks might be only too willing to provide the necessary finance. What is needed is more resources like land or irrigation water, improved access to all the infrastructure and services provided by the Government and others, <u>and</u> some guarantee that their success will not set up reactions on the part of the rural rich which could so easily reverse their position again.

Despite a few statements to the contrary, particularly in the early and middle 1970s, all that was being offered to the poor in Varandur as part of the SFDA was subsidised credit. There were early statements to the effect that the SFDA would be expected to act as a catalyst, to stimulate the provision of adequate back-up to SFDA beneficiaries on the part of other government agencies, but there was no evidence of this ever having amounted to anything in Varandur. SFDA officials saw their role as relating entirely to the provision of subsidised credit and other government officials saw no justification for giving priority to households supported by the SFDA.

Given the inadequacy of purely financial approach to the problems of the poorer households in Varandur it is not surprising that banks and cooperatives were unwilling to take on what were still probably correctly deemed uncreditworthy households despite the element of support provided in the form of the subsidy by the SFDA. Furthermore, one cannot blame unduly those trying to implement a programme that suffers from such contradictions if they can only satisfy superiors who want physical and financial targets met by bending the rules (or not even having to bend them) as in the case of the Varandur SFDA. It is all too evident that the interests of those in a position to influence the implementation of SFDA coincide in getting the subsidised credit to those who can be made to appear to fit the criteria and also offer some likelihood of being able to repay when the SFDA-supported loans fall due. These are not the poor - only the relatively rich. In Varandur, because the acreage criteria happened to make eligible 85-90 per cent of the landholding population and a higher percentage still of the total, it was not really necessary even to bend the rules. It was quite easy to get creditworthy households under the aegis of the SFDA. In other areas where the acreage criteria were more stringent it would be necessary to go somewhat further down the socio-economic spectrum and one might expect SFDA officials to have more difficulty in getting enough eligible applicants accepted and then viable as far as the repayment of their loans is concerned. It might also be that the SFDA would be more

useful to those it reached in areas in which credit was obviously more of a constraint than in Varandur. However, even in conditions somewhat more conducive to the success of the SFDA in meeting its stated goals, the way the programme has been defined in the Indian context makes it virtually impossible for it to succeed, if the experience of Varandur is anything to go by. Paradoxically, one suspects that the places where it appears most successful in terms of targets met, disbursements made, etc. are those where it is least needed. The organised credit sector could have provided the finance without the help of the SFDA. In places where it appears to be running into most difficulty according to targets etc. there may be most need for some additional measures to make investments financially viable even among the middle and upper income groups. Whatever the situation, it seems extremely unlikely that it will be improved by the provision only of another agency facilitating the flow of finance.

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